Saskatchewan Housing Corporation

Government of Saskatchewan

Table of Contents

Letter of Transmittal 3

Message from the Minister 4

Message from the Assistant Deputy Minister, President and CEO 5

Message from the Board Chair 6

Introduction 7

Alignment with Government's Direction 7

Corporation Overview 8

Progress in 2013 10

Management Discussion and Analysis 17

2013 Financial Overview 20

Corporate Governance 43

For More Information 45

Letters of Transmittal

April 30, 2014

Her Honour, the Honourable Vaughn Solomon Schofield,
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Housing Corporation for the fiscal year ended December 31, 2013. This report includes the financial statements in accordance with *The Saskatchewan Housing Corporation Act*.

Respectfully Submitted,

June Draude
Minister Responsible for
Saskatchewan Housing Corporation

Message from the Minister

It is my privilege to serve as the Minister Responsible for Saskatchewan Housing Corporation.

The Government's direction for the past year has focused on economic growth, shared prosperity, and further establishing Saskatchewan as the best place to live, work, and raise a family. Throughout this report, Saskatchewan Housing Corporation (SHC) has continued to deliver on this commitment.

A growing population creates more demand for housing. SHC is helping to manage the challenges of growth by partnering with the private sector, municipalities across the province, the federal government, Crown corporations, and other Ministries in implementing *A Strong Foundation – The Housing Strategy for Saskatchewan*, which was launched in 2011. SHC aligns with the Government's direction by providing a range of housing programs and services for households that could not otherwise afford adequate, safe, and secure shelter. SHC also supports the repair and improvement of existing housing and the development of new housing for low- to moderate-income households to meet the demands of a growing province.

We are making progress. So far, we have invested $256 million to develop more than 4,500 units and repair more than 24,300 homes around the province.

We are also seeing balanced housing markets in many communities, thanks to the efforts of municipalities, builders, lenders and non-profits that share the Province's commitment.

I would like to take this opportunity to commend our housing stakeholders for their actions in the creation of housing units for Saskatchewan's most vulnerable populations. Housing is a shared responsibility, and a co-ordinated effort from the housing sector is critical for ongoing success.

Equally important, I want to thank the SHC Board of Directors, senior management and staff for their commitment to building a strong housing environment. Throughout this report, you will see wonderful examples of their can-do spirit in action.

I am very proud of the achievements outlined in these pages. There is more work to be done, and I am confident that we will achieve our goals.

June Draude
Minister Responsible for
Saskatchewan Housing Corporation

Message from the Assistant Deputy Minister, President and CEO

I am pleased to present the 2013 Annual Report for Saskatchewan Housing Corporation (SHC).

Housing challenges in Saskatchewan are much different now than they were 10 years ago, or even five years ago. The complexities of today's housing needs mean that we must adapt to them. As shown in this report, SHC has risen to these challenges in full measure.

In 2013, SHC continued to provide numerous incentives intended to increase housing supply. Over 3,900 housing units were committed through this support. This important investment will serve a number of individuals and families for many years and is one of the ways SHC is working to manage the effects of growth in our province.

Another focus of SHC has been on increasing the supply of rental housing. A combination of incentives and the private sector responding to increased demand is beginning to produce results. 2013 saw the commitment of 3,951 units (rental and homeowner), which is an increase of 132 per cent over 2012.

Since the introduction of the Housing Strategy in August 2011, progress is being made on government-wide actions to increase the housing supply:

- The provincial vacancy rate has reached 3.0 per cent, the rate considered by Canada Mortgage and Housing Corporation (CMHC) to be a balanced market;
- There has been a 55 per cent increase in the number of rental starts since 2011; and
- New housing starts continue to be strong. There were over 8,200 housing starts in Saskatchewan, which is well above the 10-year average.

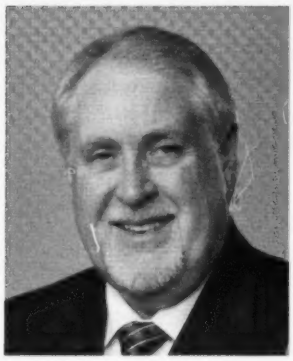
SHC continues to assess the housing market and invest in new housing to ensure Saskatchewan citizens have safe and affordable housing available to them. For example, changes to the Social Housing Rental Program policies have now been implemented in all Saskatchewan communities. These changes will ensure Saskatchewan people with the greatest housing need, such as people facing potential homelessness, victims of violence or families in unsuitable housing, get better access to social housing units.

Much of our success is owed to the positive and productive relationships we have with our numerous partners, including housing authorities, the federal government and community groups. I also commend the SHC Board and staff, whose efforts make it possible to improve the safety, stability and range of housing choices for all Saskatchewan people.

I am proud of our achievements over the past year. We will continue to prepare for growth and prosperity in the future.

Don Allen
Assistant Deputy Minister, President and CEO
Saskatchewan Housing Corporation

Message from the Board Chair



The activities of the Saskatchewan Housing Corporation (SHC) during 2013 are reflected in this annual report, and appropriately showcase the strides being made to create sustainable and viable communities. Most importantly, it demonstrates that many households and communities have benefited from SHC's work.

Saskatchewan has experienced a great deal of change in recent years. Changes in demographics, the economy and the housing environment present challenges that must be met with solutions that will work now and into the future.

Throughout this report, you will see how SHC is addressing these changes. The *Saskatchewan Plan for Growth* serves as a guide, with two overriding goals: to ensure Saskatchewan continues to grow, and to ensure the province is meeting the challenges of growth. As Board Chair, I am proud of SHC's accomplishment over the past year to achieve this vision.

We, as the Board, will continue to work in co-operation with our diverse community partners. Their involvement and support is critical to ensure that SHC continues to meet its responsibilities and that Saskatchewan citizens have a safe and stable home where they can build a better life for themselves and their families.

SHC's success in 2013 is due in no small measure to the many partners who do so much good work. I also value the outstanding efforts of fellow SHC Board members, management and staff. Their efforts to support partnerships, investments, efficiency and professionalism are making a difference in the lives of Saskatchewan people each and every day.

We look forward to supporting SHC's work in the year ahead in co-operation with our community partners and stakeholders. Now more than ever, we must work together to ensure Saskatchewan is the best place to live in Canada.

K Hanson

Keith Hanson, P.Eng.
Chair, Board of Directors

Introduction

The Annual Report provides an overview of the activities and results of the Saskatchewan Housing Corporation (SHC) for the year ending December 31, 2013. It reports on public commitments made and other key accomplishments of the Corporation.

The 2013 Annual Report is presented in relation to Government's Vision and Goals.

The 2013 Annual Report also sets the stage for future planning by providing an opportunity to assess the accomplishments, results, and lessons learned, and identify how to build on past successes for the benefit of Saskatchewan people.

Alignment with Government's Direction

Vision

Saskatchewan will be the best place in Canada – to live, to work, to start a business, to get an education, to raise a family, and to build a life.

Goals

- Sustaining growth and opportunities for Saskatchewan people.
- Improving our quality of life.
- Making life more affordable.
- Delivering responsive and responsible government.

Together, all Ministries and agencies support the achievement of the Government's four goals and work together towards making Saskatchewan the best place to live in Canada.

A growing population creates more demand for housing. SHC is helping to manage the challenges of growth by partnering with the private sector, municipalities across the province, the federal government, Crown corporations, and other Ministries in implementing ***A Strong Foundation – The Housing Strategy for Saskatchewan***, and by providing a range of programs and initiatives to meet the housing supply challenge created by growth as well as improve access to housing for those who need it most.

SHC aligns with the Government's direction by providing a range of housing programs and services for households that could not otherwise afford adequate, safe, and secure shelter. SHC also supports the repair and improvement of existing housing and the development of new housing for low- to moderate-income households to meet the demands of a growing province.

Corporation Overview

Mandate

While recognizing the marketplace as the primary vehicle for the provision of housing, SHC promotes independence and self-sufficiency by providing housing and housing services to people who could not otherwise afford or access adequate, safe, and secure shelter. SHC manages the financial contributions from the provincial, federal, and municipal levels of government and plays a lead role in the development of housing policies on behalf of the Government of Saskatchewan.

Programs and Services

SHC provides a range of housing programs and services, including social and affordable rental housing, development of new housing, home repair, renovation and adaptation programs for homeowners and landlords, supply-focused programs, homeownership options, and support for housing planning.

SHC supports about 24,200 government-subsidized Social and Affordable Rental Housing units and about 4,400 special purpose housing units (i.e. special care and group homes) in the province. Over the years, SHC has helped many households achieve homeownership. There are about 1,000 households who have received such assistance and who still have a forgivable loan with SHC. In total in 2013, SHC provided support for households living in approximately 29,600 housing units.

The SHC-owned rental housing portfolio consists of 18,229 units located in communities throughout the province. SHC-owned units are managed by local housing authorities. In addition, 11,393 units, including rental units and special care/group home beds, are owned and operated by 248 different non-profit groups and co-operatives. The housing portfolio is targeted to low- and moderate-income families, seniors, and persons with disabilities.

Distribution of the portfolio is as follows:

- 45 per cent seniors;
- 35 per cent families;
- 15 per cent persons with disabilities;
- 3 per cent homeowner units; and
- 2 per cent singles.

Responsibilities of SHC include managing operating agreements with approximately 450 organizations; program and operational policy development, program related research and reviews; accounting and other financial services; business planning and financial policy development; and delivery of housing programs and services.

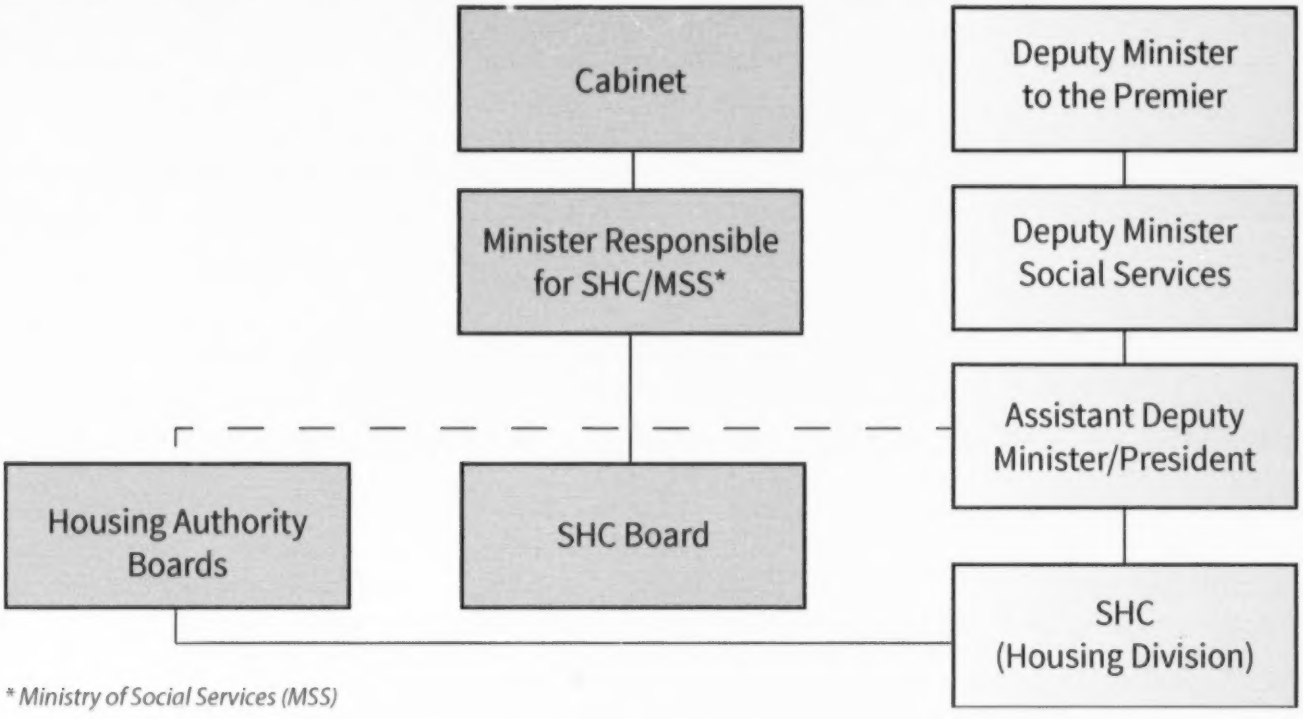
Organizational Structure

SHC is a Treasury Board Crown Corporation and is accountable to Cabinet through the Minister of Social Services. Legislative authority is provided by *The Saskatchewan Housing Act*. *The Act* establishes a Board of Directors (the Board) to conduct the affairs and business of the Corporation. The Board provides oversight in accordance with the legislated objectives and powers vested in SHC.

The Board is responsible for establishing a strategic direction for SHC within the context of Government priorities and directions, and monitoring results towards those ends.

The Board oversees the financial affairs of SHC, approving business and budget plans and monitoring financial results; ensures that significant risks to the business of SHC are identified and that internal controls and plans are in place to mitigate identified risks; oversees housing program design within the parameters set by the Government of Saskatchewan and/or the Government of Canada cost-sharing requirements; ensures SHC's assets, including information, are safeguarded; and appoints SHC's external auditors subject to the Government of Saskatchewan guidelines, which respect the role of the Provincial Auditor.

SHC's Accountability Structure – Legal and Financial



** Ministry of Social Services (MSS)*

Management services are provided to SHC by the Ministry of Social Services (MSS). SHC pays an annual fee to the MSS for these services.

The Minister establishes local housing authorities and appoints the volunteer board members who oversee operations of the housing authority.

Housing Partners

Partnerships are fundamental for the success of SHC's programs and services. In addition to Housing Authorities and non-profit organizations, SHC partners with housing co-operatives, Métis and First Nations housing providers, and private landlords who own and manage housing for low- and moderate-income tenants. SHC also works with municipalities, MSS, other government ministries and the federal government to integrate housing programs and services with other services.

Volunteers

Saskatchewan's network of local housing authorities is composed of more than 1,400 volunteers. Other housing agencies are served by approximately 1,200 volunteer members across the province. Dedicated volunteers are integral to the ongoing success of SHC's activities. Community-based management enables local people to respond to local situations, thereby bringing enhanced knowledge and responsiveness to the housing system.

Support to Housing Authorities and other Housing Agencies

SHC supports the general operation and services of local housing authorities and other housing agencies that are responsible for delivering housing programs and maintaining the operation of housing units. This includes broad management support to general operations, property, technical services, tenant, and financial stewardship, as well as meeting the diverse needs of each housing group in their delivery of tenant services and programs.

Progress in 2013

Significant Achievements in 2013

SHC worked with its partners in the private, public, and non-profit sectors toward the following four government-wide goals. A summary of the key 2013 achievements is provided under each:

GOAL 1: Sustaining growth and opportunities for Saskatchewan people.

- Almost half of new rental units starts in Saskatchewan were through SHC programs intended to increase the rental housing supply.
- In the 2013-14 Budget, the province committed an additional $2 million to help build 40 new Habitat for Humanity homes throughout the province.
- SHC invested $10 million to assist in the development of over 600 student housing beds at the University of Regina.

GOAL 2: Improving our quality of life.

- Between October 2012 and October 2013, the vacancy rate in the province increased from 2.2 per cent to 3.0 per cent, which is considered a balanced market.
- Westgate Heights, a 34-unit large-family project in Saskatoon, was completed in 2013.
- SHC and the Government of Canada partnered to develop 40 new affordable rental units in Moose Jaw by converting the Walter Scott building.

GOAL 3: Making life more affordable.

- In 2013, changes to social housing policy were fully implemented across the province. These changes will ensure that social housing becomes more accessible to individuals and families facing the greatest needs, who will now pay no more than 30 per cent of their income on rent.
- SHC is selling approximately 300 of its single-family dwelling units in Regina, Moose Jaw and Prince Albert to facilitate the construction of more modern and energy efficient multi-unit housing in these communities. This portfolio renewal will make housing less expensive for the tenants and the taxpayer, create more affordable housing and create entry-level homeownership opportunities. The reinvestment of the proceeds to develop new medium-density, multiple-unit housing is a key component in supporting the *Saskatchewan Plan for Growth.*

GOAL 4: Delivering responsive and responsible government.

- SHC developed revisions to the Life Lease Program as announced in the 2013 Speech from the Throne. The renewed program will provide suitable and affordable housing for seniors who cannot afford or access it in the private market.
- SHC engaged in negotiations with the federal government around extending the *Investment in Affordable Housing 2011-2014 Agreement,* which expires March 31, 2014.

Summary of Financial Results

Reported figures reflect results for SHC's fiscal year ending December 31, 2013.

Expenditures

SHC expenditures for 2013 were $193.1 million. This was $19.1 million below budget primarily due to a reduction in expected other charges.

Revenues

SHC revenues for 2013 were $224.5 million. This was $4.6 million above budget primarily due to higher than expected rental income and gain realized on the disposal of lands.

Progress by Key Program Areas

This section provides detailed results of SHC's achievements during the 2013 calendar year. Results are provided for each of SHC's major program areas.

A Strong Foundation – The Housing Strategy for Saskatchewan

Introduced in 2011, *A Strong Foundation – The Housing Strategy for Saskatchewan* (Strategy) is an eight-year comprehensive strategy that has resulted in stronger partnerships and collaboration across the housing sector which, in turn, are increasing the housing supply across Saskatchewan.

One of the key principles of the Strategy is that housing is a shared responsibility. A co-ordinated effort from the private sector, municipal governments, and others involved in the housing sector is critical for managing the challenges of growth. SHC and the provincial government cannot meet these challenges alone and count on the participation of the entire provincial housing sector.

The Strategy outlines five broad priorities:

- Increase the housing supply;
- Improve housing affordability;
- Support individuals and families in greatest housing need;
- Enhance strategic planning for housing; and
- Collaborate, communicate, and educate.

To set the plan into action and establish annual priorities, SHC works with other Crown corporations and ministries to create provincial action plans. Some actions outlined in these plans are designed to have immediate results. Many have become part of regular business practices and are carried forward into future years and action plans. Each action builds on SHC's role in the Strategy, which serves as a roadmap for the entire housing sector.

The *Provincial Action Plan 2013-14* encompasses actions developed out of results from previous years, as well as new initiatives. Government actions in the third year of this eight-year plan furthered government's progress under the *Provincial Action Plan 2012-13,* which had a strong focus on increasing the housing supply, promoting partnerships, improving government processes and supporting the housing sector.

Since the introduction of the Strategy, progress is being made on government-wide actions to increase the housing supply.

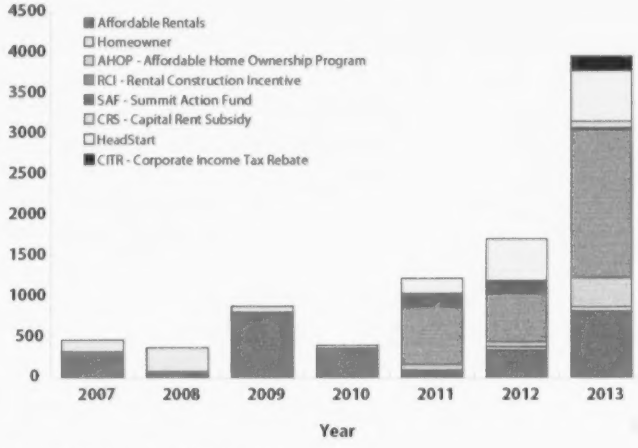
- The provincial vacancy rate has reached 3.0 per cent, the rate considered by Canada Mortgage and Housing Corporation (CMHC) to be a balanced market;
- There has been a 55 per cent increase in the number of rental starts since 2011; and
- New housing starts continue to be strong. There were over 8,200 housing starts in Saskatchewan, which is well above the 10-year average.

Increasing the Housing Supply

A growing population means additional pressure on the provincial housing supply. In 2013, SHC continued to provide numerous incentives intended to increase housing supply for the province's growing population. Over 3,900 housing units were committed through this support. This important investment will serve a number of individuals and families in the future and is one way SHC is working to manage the effects of growth in our province. A particular focus of SHC has been on increasing the supply of rental housing. A combination of incentives and the private sector responding to increased demand is beginning to produce results, with a significant number of new rental units constructed or in development in Saskatchewan.

2013 saw the commitment of 3,951 units (rental and homeowner) which is an increase of 132 per cent over 2012.

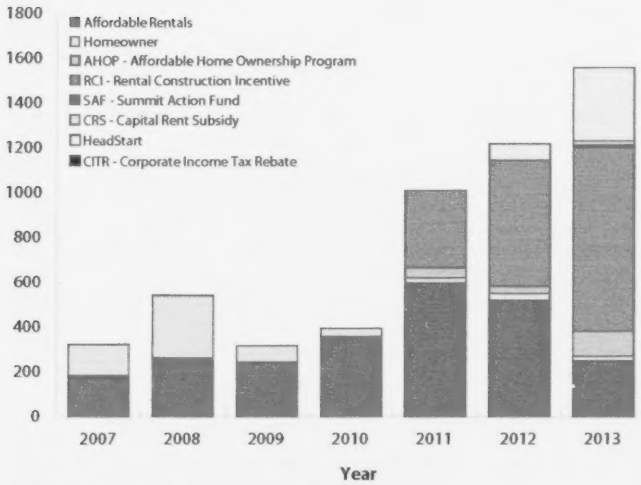
Saskatchewan Housing Corporation committed housing units



Adjusted for units funded by multiple programs.

Through provincial government programs, 1,558 housing units were completed in 2013, adding 1,095 units to the rental housing stock and assisting more than 460 households to achieve homeownership. The chart on the next page shows the number of Provincial Government funded housing units that were completed over the past eight years, illustrating the overall impact SHC supply programs and initiatives have had on increasing the housing supply.

Saskatchewan Housing Corporation completed housing units



Adjusted for units funded by multiple programs.

Summit Action Fund

Totaling $6 million in funding and designed to increase housing supply across the province through innovation in the housing sector, the Summit Action Fund (SAF) provided a grant of 30 to 70 per cent of eligible project costs, to a maximum of $500,000, to housing stakeholders who have creative housing solutions that are not covered by existing housing programs. A SAF Selection Committee is responsible for selecting proposals and making decisions regarding funding allocations. The Selection Committee is made up of representatives from the SHC Board and members from the Canadian Home Builders' Association – Saskatchewan. Particular emphasis is placed on promoting improved efficiency of housing development, such as proposing better ways of buying and preparing land for housing developments in inner city areas. Since its inception in 2011, funding from the SAF has been allocated to 18 projects to create up to 319 units across the province. Of the 319 units, 24 units also received funding through other SHC programs. All SAF funding has now been committed.

Affordable Home Ownership Program (AHOP)

The goal of AHOP is to engage municipalities to increase the supply of entry-level homes. The program matches grants that eligible municipalities provide to homeowners. SHC contributes to participating municipalities an amount equivalent to the education portion of the property tax for five years, to a maximum of $5,000 per home.

When AHOP was introduced in 2011, municipal response exceeded expectations. To meet the demand, the Province committed additional funding, bringing the total funding for AHOP to $3.8 million over five years. Since 2011, commitments have been made to support 825 new homeownership opportunities in nine communities across the province. To date, 242 homes have been completed. Of the 242, 50 units also received funding through other SHC programs.

Rental Construction Incentive (RCI)

RCI is designed to help municipalities and private market developers create new rental housing units. The program provides participating municipalities a provincial grant up to $5,000 to match municipal grants or incentives to developers for each eligible new rental unit constructed.

Announced in 2011 with a budget of $14.5 million over five years, response to RCI was immediate and positive. To meet the demand, the Province committed additional funding, bringing the total funding for RCI to $22.1 million over five years. Since 2011, commitments have been made to support the development of 4,784 units in 20 communities. To date, a total of 1,721 new rental units have been completed. This program has played an important role in beginning to address the rental unit shortage in many communities throughout the province.

Rental Development Program

SHC's Rental Development Program addresses gaps in supply along the housing continuum for greater availability of housing targeted for low- and moderate-income households and vulnerable people. The program assists non-profit corporations, co-operative groups, municipalities, First Nations and the private sector to respond to community needs by developing affordable rental housing projects for low- and moderate-income people. In the absence of partners, SHC directly delivers projects to address housing challenges.

In 2013, $19.3 million was committed through this program to support the construction of 658 rental units for families, seniors, and students. The large majority of these units are the 605 student housing beds being developed at the University of Regina to help address the serious shortage in student housing. SHC has committed $10 million to support this project.

In addition, SHC provided support to Ranch Ehrlo Society's Chaz Place, which will provide eight units for at-risk youth as well as training opportunities in the construction trades.

Conversion Initiative

The Conversion Initiative encourages development of new rental housing for low- to moderate-income households by providing financial assistance of up to $30,000 per rental unit to private and non-profit groups for the purpose of converting non-residential space to residential use. In 2013, this program was fully committed. Since 2007, over $2 million has been invested by SHC to create 69 units.

Secondary Suite Program

The Secondary Suite Program provides eligible homeowners and rental property owners up to 50 per cent of the construction costs, to a maximum of $30,000 per unit to build or renovate a secondary suite for low- and moderate-income households. The program has proven to be so successful that SHC fully committed its 2012-13 and 2013-14 budgets for the program by March 2013. Sixty-five secondary suites were committed for development in 2013.

Corporate Income Tax (CIT) Rebate on New Rental Housing

The Corporate Income Tax (CIT) Rebate on New Rental Housing is designed to encourage rental housing construction with a 10 per cent reduction in the provincial corporate income tax rate on taxable income earned from the rental of multi-unit housing. It is one of the tools to increase the supply of rental housing in the province. SHC is working to increase awareness with builders and landlords on the CIT Rebate. SHC is also talking with builders and landlords to examine what, if any, changes might be needed to make the CIT Rebate work better for them. The CIT Rebate has been extended for applications to be submitted to SHC by December 31, 2014.

2013 saw the first commitments under the program, an estimated $558,000 to support the construction of 186 new rental units in Regina and Saskatoon.

Land Sales

The Province believes that the private sector is the appropriate party to develop residential land. As such, the Province has sold its land holdings in Northwest Regina. The sale of 336 acres of this developable land was concluded in 2013.

Improving Housing Affordability

Our growing province has experienced a significant increase in home prices and rental rates. While this is a sign of a strong provincial economy, it also creates challenges, especially for low- to moderate-income households. SHC has designed a number of actions that provide options for households that might not otherwise be able to afford housing. These actions support and com-plement other government responses to housing supply and affordability challenges, such as HeadStart on a Home (HeadStart) and the First Time Homebuyer's Tax Credit.

Capital Rent Subsidy

Introduced in 2012, the Capital Rent Subsidy was developed to encourage an increase in the supply of affordable housing across the province. The commitment of $5 million generated 100 affordable housing units for a 10-year period, providing housing that is more affordable for tenants in private rental housing. This was achieved through a rent subsidy that bridged the gap between market rent and rent affordable to households with moderate incomes

Habitat for Humanity (Habitat) Partnership

SHC is proud to continue to support Habitat for Humanity's efforts to provide affordable homeownership opportunities for Saskatchewan's low- to moderate-income families. In the 2013-14 Budget, the Province committed an additional $2 million to help build 40 new Habitat for Humanity homes throughout the province. 2013 saw the completion of 21 units in seven communities across the province. Another 30 units were under construction at the year's end in eight communities.

Saskatchewan Home Repair Programs

The redesigned Saskatchewan Home Repair Programs were launched in 2012, reflecting Saskatchewan's current housing environment and unique housing needs. The redesigned programs have higher assistance levels, increased eligibility, and shorter loan forgiveness periods.

These programs assist low- to moderate-income homeowners, and rental property owners housing low-income tenants, to repair or adapt their dwellings. These programs, which are funded in partnership with the federal government, help to ensure that units meet minimum health and safety standards, building codes, and accessibility requirements. Rental property owners who receive funding must rent to low-income households and charge an affordable rent.

From 2011 to December 2013, approximately $17.2 million has been invested to assist in repairs to properties to meet health and safety standards.

Portfolio Renewal

SHC is undertaking the sale of 300 single-family social housing units in Regina, Moose Jaw, and Prince Albert. Most of the proceeds from these sales will be re-invested and will help facilitate the construction of more modern and energy efficient multi-unit housing in these communities.

Portfolio renewal will create more affordable housing opportunities through the sale of these units to many first-time homebuyers. It will also provide more modern housing for social housing tenants with less ongoing maintenance costs for SHC. In 2013, five agreements were reached to construct new medium-density housing projects, including 48 units in Regina, 91 units in Moose Jaw, and 30 units in Prince Albert at a cost of almost $34 million.

Assisting Those with the Greatest Need

Saskatchewan has a robust housing market which ensures the majority of Saskatchewan citizens have a place to call home. However, there are some in our province who could not otherwise afford or access adequate, safe, and secure shelter. SHC is proud to partner with housing authorities, the federal government and community groups to help those with the greatest shelter needs.

Social Housing Rental Program Changes

First introduced in 2012, changes to the Social Housing Rental Program policies have now been implemented in all Saskatchewan communities. These changes will ensure Saskatchewan people with the greatest housing need, such as people facing potential homelessness, victims of violence or families in unsuitable housing, get better access to social housing units. These changes have already resulted in declines in the social housing waiting lists in our four largest communities, as those with the resources to access housing in the market have done so which has made room for other families in need of social housing.

Supporting and Partnering in Homelessness Initiatives

The federal government provides funding via the Homelessness Partnering Strategy in order to prevent and reduce homelessness across Canada. This money is distributed directly to communities, with the Province partnering on various projects. Funding is allocated and administered through initiatives chosen by local Community Advisory Boards. SHC officials participate on the Regina, Saskatoon, Prince Albert, Aboriginal and Rural Community Advisory Boards.

Shelter Enhancement Program

Designed to assist victims of family violence and households with the greatest need, the Shelter Enhancement Program (SEP) provides financial assistance to non-profits, First Nations groups, and charities for the purpose of constructing new or renovating existing emergency shelters and second-stage housing units. In 2013, SEP funding of $1.5 million was committed to a project supporting construction of a new 16-bed shelter for victims of domestic violence called Angel's Lighthouse in Melfort. Construction is expected to start in spring 2014.

Enhancing Strategic Planning for Housing

Encouraging Community Housing Options (ECHO)

Municipalities play an essential role in managing growth, especially when it comes to meeting the housing needs of their communities. To assist municipalities in planning for and managing growth, the Encouraging Community Housing Options program provides cost-matched funding to municipalities and regions to assist with the cost of housing planning and to encourage action that will increase the housing supply. The program matches municipal and regional partnership contributions to complete housing plans or to take action on strategies identified in a housing plan or other type of needs assessment. Up to $20,000 is available to complete a housing plan and up to $10,000 to take action. Twelve housing plans have either been completed or are in process that will positively affect more than 35 communities in managing their housing growth. There have been four commitments made to support municipalities to take action on strategies that will increase the housing supply.

Small Communities Rental Market Survey

SHC conducts the Small Communities survey annually to meet a commitment in the *Provincial Action Plan 2011-12,* and to support the *Housing Strategy for Saskatchewan.* The survey is the only source of annual data on primary rental markets in communities with populations between 500 and 10,000 people.

The survey conducted in the fall of 2013 supports communities and government by:

- Helping communities assess need and demand, and plan for future housing;
- Providing rental market data for adjustment of shelter allowance and rental supplement rates in the provincial income assistance programs; and
- Identifying the level of need for development of subsidized housing, and emerging housing markets and non-market communities.

Program Reviews

As part of SHC's continuing efforts to ensure its programs are effective and meeting the overall objectives of the provincial government, reviews of the Rental Development Program, the Affordable Home Ownership Program (AHOP) and the Rental Construction Incentive (RCI) were undertaken in 2013. The findings of the reviews are in the process of being analyzed and will be taken into account. Any recommended changes to these programs will be rolled out in the upcoming years and reported in subsequent annual reports.

Sustainability

Federal funding for the Social Housing Program is declining, and it is estimated that by 2018, it will fall below current operating costs. This could jeopardize both the program's ability to provide the same level of benefits to social housing clients, as well as maintaining the assets themselves.

To prepare for this possibility, SHC has been identifying best practices and efficiencies and implementing a Capital Asset Plan. Once implemented, the plan will improve portfolio monitoring and decisions regarding maintenance and repairs. It will also assist in determining portfolio investment decisions so that SHC will be well positioned to respond appropriately to current and future housing needs.

Collaborating with our Partners/Sharing Best Practices

SHC will continue to work with stakeholders across the province to support *A Strong Foundation - The Housing Strategy for Saskatchewan*. Communication across geographic areas and between members of the housing sector is important to prevent inefficiencies and lost opportunities. The housing sector needs to work together, share information effectively, and communicate well with the public.

The Importance of Partnerships

Meeting the challenge of growth requires the full participation of all parties involved in housing delivery. SHC has been consulting with community stakeholders across Saskatchewan and providing other opportunities for communication, collaboration, and education on housing for many years. This continued in 2013, with SHC supporting and facilitating the development of a Northern Housing Summit, a Non-Profit Housing Forum, and by participating in the Regina Mayor's Housing Summit.

Non-Profit Housing Forum

In April 2013, SHC hosted a Non-Profit Housing Forum in Saskatoon. The forum brought together non-profit housing providers to discuss the increased options that are available after the obligations under the long term funding agreements have ended and mortgages have been retired, as well as ideas on how non-profit agencies can develop housing projects on their own. It was also a way to foster networking opportunities between housing agencies and service agencies to better serve clients.

Regina Mayor's Housing Summit

SHC partnered with the City of Regina in the Mayor's Housing Summit in May 2013. The Honourable June Draude, Minister of Social Services and Minister responsible for SHC, gave opening remarks at the summit, touching on key themes of increasing the supply of affordable and rental housing, encouraging innovation in housing, and developing partnerships.

Northern Housing Summit

In June 2013, SHC assisted in supporting a Northern Housing Summit in Prince Albert. The Summit was attended by approximately 150 participants from northern municipalities. The key objective of the summit was to engage northern community members in furthering education and understanding about housing options; to share information on planning and partnerships regarding housing in the north; and to provide a foundational base from which to develop, deliver and monitor northern municipal housing development options.

To build upon these discussions, a committee of key northern stakeholders was established. This committee is now working with SHC to develop recommendations for potential new housing policy and programs.

National Housing Day

SHC was proud to participate in and support National Housing Day events in Regina, Saskatoon and Prince Albert in November. National Housing Day provides an opportunity to recognize the importance of housing in our communities, raise awareness, share housing information, and celebrate the progress in advancing housing solutions.

Meeting the Housing Needs of First Nations and Métis People

SHC is working in partnership with First Nations, Métis communities, and others to increase housing options for First Nations and Métis people.

In 2013, SHC partnered with the federal government and Cress Housing to invest in needed repairs to three rental properties in Saskatoon that are home to 51 housing units serving low-income Aboriginal households. In addition, SHC partnered with the federal government and the City of North Battleford to develop eight new spaces for homeless Aboriginal adults.

SHC also worked with northern communities to address housing needs among First Nations, Métis and others living off-reserve in northern Saskatchewan. Six new social housing units and four new affordable housing units in La Loche are under construction. The Northern Village of

Pinehouse received a commitment for $500,000 under the Summit Action Fund for the development of 10 homeowner units. Two projects that are in the planning stages will provide an additional nine family housing units in the communities of Buffalo Narrows and Ile a la Crosse.

In order to assist northern students, eight affordable rental housing units for students with large families furthering their education are now under construction in La Ronge.

SHC, in partnership with the Northern Lights School Division, is helping students learn basic carpentry skills by constructing single family homes. These homes will become part of the affordable rental portfolio in these communities when completed. In the past four years, 13 new housing units have been built and three additional housing units were under construction in Buffalo Narrows, La Loche and La Ronge.

Improving Client Outcomes

On September 6, 2011, SHC and Canada Mortgage and Housing Corporation (CMHC) signed the bi-lateral agreement, the *Investment in Affordable Housing 2011-2014* (IAH) *Agreement*. Under the IAH Agreement, the provincial and federal government each contribute $9.19 million annually, which equates to an investment of $55.14 million in the housing sector over three years. The IAH Agreement provides much greater flexibility than past agreements, allowing for more creativity and collaboration on a range of housing supports. Over the three-year period of the agreement, SHC funded numerous programs including affordable rental development, repair programs, secondary suite development, conversions, and shelter enhancements.

In 2013, $18.4 million of funding through IAH was targeted towards development of new affordable housing for the hard-to-house, rent subsidies for low- to moderate-income households, and repairs and adaptations to existing private homeownership and rental housing.

Social Housing Program Evaluation

In 2013, an evaluation of SHC's Social Housing Program was undertaken. The purpose was to examine the impact of the program on its tenants. During the course of this evaluation, a large collection of data regarding SHC tenants and prioritized applicants was gathered. The results show that overall, SHC social housing tenants are generally satisfied with their housing and the services received. The Social Housing Program was found to have had a positive impact on tenants' quality of life in terms of providing stability for financially struggling or at-risk households. It was also seen as a key element of maintaining and improving quality of life for individuals and families residing in social housing.

Operational Reviews-Tenant Surveys

During 2013, a number of operational reviews of housing authorities throughout the province were conducted. An important component of these reviews is the survey of tenants. These tenant surveys reveal that over 80 per cent of tenants are satisfied, or very satisfied, with their individual units and the service they receive from SHC.

Management's Discussion and Analysis

Growth, Security and Promises

Saskatchewan Housing Corporation (SHC) plays an important role in supporting growth within the province and delivering on improving quality of life and affordability for all residents of Saskatchewan. Effective management of the financial resources available to SHC is key to ensuring that we are able to meet government housing objectives and deliver services to those most in need, both in the near and long-term. Several challenges impact on SHC's financial ability to support these objectives:

- declining federal funding for ongoing operations;
- an aging portfolio of units that have high costs to maintain and operate;
- growing demand for housing supply due to population growth and migration; and
- the impact of growing demand for housing on affordability.

SHC will continue to deliver upon previous announcements for new housing units and repair grants, as well as continue to support some 29,600 rental units in Saskatchewan. Financial forecasts, program reviews and housing needs assessments are regularly updated to evaluate changing economic conditions within the province and programs that SHC delivers. SHC utilizes this information to identify opportunities to improve the allocation of its resources and best focus them to meeting the financial challenges of delivering on its objectives.

2013 – Major Developments

There have been some short term strategies that have had a positive impact on declining federal funding and SHC's deferred federal funding balance. During 2013, the full adoption of the changes to the social housing program rents announced in 2012 resulted in a moderate increase in rent and other income. This provided a short term offset to declining federal funding. The expectation is that there will be a transition period where these moderately higher rents will continue. However, they are not expected to be sustained over the long term. It is possible that over time the changes to the rent structure will result in higher income tenants being replaced with those with lower incomes who are more in need of social housing.

Maintenance and Renovation (M&R) expenses are a significant portion of the cost of operating our aging portfolio of units. A new Capital Asset Planning tool has been acquired and piloted in 2013 which will provide improved information for identifying and planning for M&R requirements in the future. This is one of the tools that will be utilized to more effectively allocate SHC's financial resources and assist in improving the long-term sustainability of our housing portfolio. In anticipation of the acquisition and resultant reporting of this tool, some M&R expenditures will be deferred to future years.

SHC has identified approximately 300 single family units that it will sell over the next few years. The proceeds from these sales will be used to construct more modern and energy efficient multi-unit housing. The result will be housing units that are less expensive for the tenants and the taxpayer, the creation of more affordable housing and additional entry-level home ownership opportunities. Initial sales of 24 units occurred in 2013 and commitments were made for the construction of the initial 169 units of multi-unit housing.

The Saskatchewan economy continues to experience strong economic and population growth. The Province is projecting that the population will grow to 1.2 million people by 2020. This growth will bring increased demand for housing, resulting in increased pressure on housing supply and affordability.

In response to increased demand for housing, the Provincial Government announced a number of programs in 2011 to encourage the development of more housing. The programs to date have been very successful and are supporting the creation of more housing of all types across the Province. These programs have continued their success in 2013 and have resulted in the commitment of almost 4,000 units in the year, a 132 per cent increase over 2012, and the completion of almost 1,600 units (approximately 1,100 rental units and 500 units home ownership assistance).

The Investment in Affordable Housing Agreement signed by the Province in 2011 will expire in March 2014. The agreement establishes the approach that will guide bilateral arrangements for the affordable and renovation housing funding envelope of federal housing funds for the period 2011 – 2014. CMHC's funding will be cost matched by the Province. SHC has until March 31, 2015 to complete all the funding requirements under this existing agreement. SHC has engaged in negotiations with the Federal Government that will lead to extending this agreement for an additional five years.

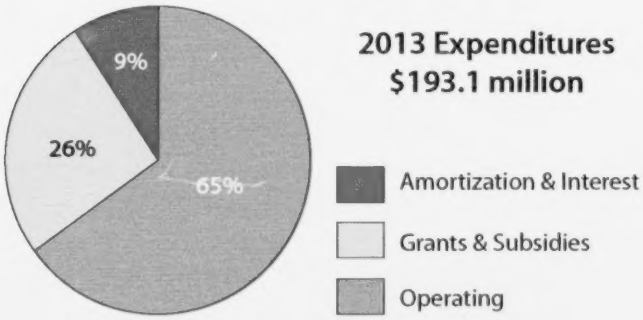
Government-wide efforts to increase housing supply have brought the provincial vacancy rate to 3.0 per cent, the rate considered optimal by Canada Mortgage and Housing Corporation. With Saskatchewan reaching a balanced rental market, future focus will be on affordability.

In 2013, SHC began developing revisions to its Life Lease Program. This is intended to provide accessible and affordable housing for seniors who cannot afford or access it in the private market and are unable to access social housing programs as their asset or income levels exceed the prescribed maximum limits.

2013 – Results of Operations

Expenditures

Saskatchewan Housing Corporation expenditures for 2013 were $193.1 million, a decrease of $17.7 million or 8.4 per cent (2012 - $210.8 million).



Costs of operating the rental housing portfolio (excluding amortization) declined to $125.3 million, a decrease of $5.6 million (2012 - $130.9 million). Major elements of operating costs for 2013 included:

- Maintenance and renovation expenditures were $49.6 million in 2013, (2012 - $57.7 million). The decrease was planned and is primarily due to one-time expenditures on two facilities that occurred in 2012 that were not required in 2013;
- There were no economic stimulus expenditures in 2013 (2012 - $3.2 million). The decrease is due to the completion of projects under the stimulus funding in 2012;
- Utilities expenditures were $18.7 million (2012 - $17.9 million);
- Grants in lieu of property taxes were $14.3 million (2012 - $13.6 million); and
- Other operating expenditures were $42.7 million (2012 -$38.5 million).

Grants and subsidies expenditures decreased by $11.1 million to $50.0 million (2012 – $61.1 million). The decrease in expenditures is primarily due to project completions. Many of the Corporation's funding pools have been significantly reduced as projects funded are substantially completed. The difference was the result of the following:

- Grants under affordable housing programs decreased by $2.3 million to $25.9 million (2012 - $28.2 million);
- Grants under the Housing Trusts decreased by $8.3 million to $(0.4) million (2012 - $7.9 million). The net 2013 figure is negative as a result of amounts received from project sponsors exceeding expenditures.

Revenues

Revenues for SHC were $224.5 million for 2013, an increase of $13.7 million or 6.5 per cent (2012 - $210.8 million).

Rents and other income from clients increased by $4.3 million in 2013 to $108.2 million (2012 - $103.9 million). This is a 4.1 per cent increase and represents approximately 48 per cent of SHC's total revenue. Other revenue items of note include:

- Federal contributions of $54.7 million (2012 - $73.2 million). The decrease was primarily due to moderate increases in rent revenue as social housing policy changes were introduced and a reduction in maintenance and renovation expenditures as well as the 2012 completion of projects under the Affordable Housing Agreement;
- Provincial contributions of $13.8 million (2012 - $20.1 million). The decrease was primarily due to reductions in Housing Trusts funding use; and
- Gains on disposals of land and properties, interest income, and other contributions, including municipal contributions, increased to $47.8 million (2012 - $13.6 million), primarily due to the sale of undeveloped land holdings in North West Regina and the sale of single family units.

Investment in Properties

At the end of 2013, SHC had $152.7 million of investments in properties, representing the unamortized book value of approximately 18,300 owned rental units with a replacement value estimated to be $3.5 billion.

During the year, SHC completed $1.4 million of new properties and amortized $13.2 million of property costs.

Construction in progress at the end of 2013 was $1.6 million, consistent with 2012. As these properties are completed, they will have federal and provincial funding allocated to fund the future amortization expense.

2013 Financial Position

Under the various federal agreements, SHC is able to defer to future years amounts received, but unexpended, in any given year. These Deferred Federal Contributions must be used for eligible program expenditures as specified in the agreements. During 2013, federal contributions received under the agreements were more than SHC's expenditures, resulting in an increase in accumulated deferrals of $3.7 million to $140.1 million at December 31, 2013 (2012 - $136.4 million). Of the 2013 ending amount, $112.6 million is available for future expenditures (2012 - $106.9 million) and $27.5 million (2012 - $29.5 million) is to fund future amortization expense of capital assets.

Operating activities realized $2.0 million cash in 2013. Capital activities, including investment in new properties, realized $36.6 million, investing and financing activities utilized $27.1 million, resulting in a net increase of $11.5 million in SHC's cash position for the year. The 2013 ending cash and cash equivalents position is $121.4 million (2012 - $109.9 million).

The $121.4 million of cash and cash equivalents is mostly related to SHC's various deferred revenue sources, which will be recognized as related expenditures occur. At the end of 2013, SHC has some $72.9 million in contractual obligations, not including ongoing subsidy assistance, associated with these deferred funds.

Saskatchewan Housing Corporation

Summary of Key Financial Operating Results

2010 – 2014 (thousands)

	2010	2011	2012	2013	2014 Plan
Rent, operating income and other contributions	$101,661	$107,844	$117,499	$155,980	$125,285
Recognized Provincial Contributions	46,845	63,499	20,145	13,835	29,966
Recognized Federal Contributions	85,032	93,491	73,171	54,726	53,548
Total Revenues	**$233,538**	**$264,834**	**$210,815**	**$224,541**	**$208,799**
Operating and other charges	$145,806	$162,020	$130,885	$125,240	$128,569
Grants and Subsidies	74,384	81,056	61,125	49,977	52,751
Amortization	14,967	14,974	13,872	13,149	13,756
Interest	4,747	5,284	4,933	4,716	4,623
Total Expenses	**$239,904**	**$263,334**	**$210,815**	**$193,082**	**$199,699**
Net Operations	**($ 6,366)**	**$ 1,500**	**$ —**	**$ 31,459**	**$ 9,100**

2013 Financial Overview

Management's Responsibility for the Consolidated Financial Statements of Saskatchewan Housing Corporation

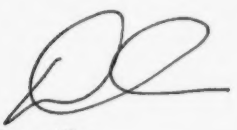
These consolidated financial statements have been prepared by management, which is responsible for the reliability, integrity and objectivity of the information provided.

The preparation of financial statements necessarily involves the use of estimates, based on informed judgments by management and giving appropriate consideration to reasonable limits of materiality. In the opinion of management, the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, changes in net assets and cash flows of Saskatchewan Housing Corporation. Financial information presented elsewhere in this annual report is consistent with the consolidated financial statements and the underlying information from which the financial statements were prepared.

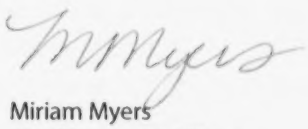
Management is responsible for maintaining a comprehensive system of accounting records, internal controls, policies and management practices, designed to provide reasonable assurance that transactions are properly authorized and in compliance with legislation, assets are safeguarded, and reliable financial information is available on a timely basis.

The Corporation's Board of Directors, through the Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit and Finance Committee meets periodically with management and with the external auditors to discuss matters relating to financial reporting, internal control and audits. The Audit and Finance Committee also reviews the consolidated financial statements before recommending approval by the Board of Directors.

The consolidated financial statements have been approved by the Board of Directors and by Treasury Board, and have been examined by external auditors appointed by the Lieutenant Governor in Council. The responsibility of the external auditors is to report to the Members of the Legislative Assembly regarding the fairness of presentation of the Corporation's financial position, results of operations, changes in net assets and cash flows as shown in the consolidated financial statements. The Auditors' Report outlines the scope of their examination and expresses their opinion.



Don Allen
President
March 26, 2014



Miriam Myers
Chief Financial Officer

Independent Auditors' Report

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the accompanying consolidated financial statements of Saskatchewan Housing Corporation, which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of operations, changes in net assets and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saskatchewan Housing Corporation as at December 31, 2013, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan
March 26, 2014

Saskatchewan Housing Corporation
Consolidated Statement of Financial Position

As at December 31

(thousands)

	2013	2012
Assets		
Investment in properties (note 4)	$ 152,736	$ 164,886
Deposits with contractors	5,571	---
Land inventory (note 5)	268	483
System development (note 6)	---	314
Loans receivable (note 7)	6,311	6,729
Accounts receivable	9,074	12,875
Debt retirement funds (note 8)	28,168	26,286
Cash and cash equivalents (note 9)	121,444	109,930
	$ 323,572	**$ 321,503**
Liabilities, Deferred Contributions and Net Assets		
Liabilities and Deferred Contributions:		
Long-term debt (note 10)	$ 57,068	$ 58,483
Life interest agreements	12,501	12,358
Land profits holding account (note 11)	1,366	2,235
Accounts payable and accrued liabilities	20,065	18,565
Deferred federal contributions (note 12)	140,138	136,445
Deferred provincial contributions (note 13)	70,637	75,670
Other deferred contributions related to capital assets (note 14)	2,756	3,062
	$ 304,531	**$ 306,818**
Net Assets:		
Internally restricted – portfolio renewal reserve (note 15)	$ 4,356	$ ---
Internally restricted – risk reserve (note 15)	5,112	5,601
Internally restricted – renovation commitments (note 15)	1,348	334
Unrestricted	8,225	8,750
	$ 19,041	**$ 14,685**
	$ 323,572	**$ 321,503**

Contingencies and contractual obligations (notes 25 and 26)

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:

K Hanson

Keith Hanson
Chair

P. W. Pitka

Pat Pitka
Director

Saskatchewan Housing Corporation
Consolidated Statement of Operations

For the year ended December 31

(*thousands*)

	2013 Planned	2013 Actual	2012 Actual
Revenues:			
Rents and other income	$ 104,719	$ 108,184	$ 103,894
Interest income (note 17)	3,416	3,325	3,645
Gain on disposal of undeveloped land (note 18)	22,050	38,259	7,464
Gain on disposal of properties (note 19)	6,900	5,249	1,315
Federal contributions:			
Social Housing Agreement (note 12)	52,500	43,709	57,442
Agreement for Investment in Affordable Housing 2011-2014 (note 12)	7,718	10,136	8,339
Other agreements (note 12)	185	881	7,390
Provincial contributions:			
Operating	755	755	755
Housing trusts (note 13)	429	(340)	8,025
Neighbourhood revitalization and other (note 13)	20,142	13,420	11,365
Other contributions	1,043	963	1,181
	$ 219,857	**$ 224,541**	**$ 210,815**
Expenses:			
Operating (note 20)	$ 126,031	$ 125,288	$ 130,872
Grants and subsidies (note 21)	44,152	49,977	61,125
Amortization of investment in properties	14,526	13,149	13,872
Interest expense (note 22)	4,698	4,716	4,933
Other (recoveries) charges	23,550	(48)	13
	$ 212,957	**$ 193,082**	**$ 210,815**
Net operations	**$ 6,900**	**$ 31,459**	**$ ---**

See accompanying notes to the consolidated financial statements.

Saskatchewan Housing Corporation
Consolidated Statement of Changes in Net Assets

For the year ended December 31

(thousands)

	Internally Restricted				2013	2012
	Portfolio Renewal Reserve	Risk Reserve	Renovation Commitments	Unrestricted	Total Net Assets	Total Net Assets
Balance, beginning of year	$ ---	$ 5,601	$ 334	$ 8,750	$ 14,685	$ 14,685
Net operations	---	---	---	31,459	31,459	---
Expenses	---	---	(334)	334	---	---
Internal transfers (note 15)	4,356	(489)	1,348	(5,215)	---	---
Transfer to General Revenue Fund (note 18)	---	---	---	(27,103)	(27,103)	---
Balance, end of year	**$ 4,356**	**$ 5,112**	**$ 1,348**	**$ 8,225**	**$ 19,041**	**$ 14,685**

See accompanying notes to the consolidated financial statements.

Saskatchewan Housing Corporation
Consolidated Statement of Cash Flows

For the year ended December 31

(*thousands*)

Cash Provided By (Used In):	2013	2012
Operating Activities:		
Net operations	$ 31,459	$ ---
Items not affecting cash:		
Amortization of investment in properties	13,149	13,872
Grants in kind	423	---
Amortization of system development costs	314	376
Other (recoveries) charges	(49)	70
Interest income earned on debt retirement funds	(1,362)	(1,532)
Gain on disposal of undeveloped land	(38,259)	(7,464)
Gain on disposal of properties	(5,249)	(1,315)
Federal contributions related to capital assets recognized as revenue	(2,335)	(2,710)
Provincial contributions related to capital assets recognized as revenue	(962)	(917)
Other contributions related to capital assets recognized as revenue	(308)	(351)
Payments from land profits holding account	(869)	(9,180)
Decrease (increase) in non-cash working capital balances related to operations	5,391	(7,810)
Increase (decrease) in deferred federal contributions for expenses of future periods	5,706	(6,807)
Decrease in deferred provincial contributions for expenses of future periods	(5,199)	(15,024)
Deferral of interest income earned on provincial contributions	124	164
	$ 1,974	**$ (38,628)**
Capital Activities:		
Investment in properties	$ (1,413)	$ (2,120)
Deposits with contractors	(5,571)	---
Investment in land net of recoveries	17	(29)
Proceeds from disposal of properties	5,158	1,345
Proceeds from disposal of undeveloped land	38,466	7,825
	$ 36,657	**$ 7,021**
Investing Activities:		
Decrease in loans receivable	$ 448	$ 15
	$ 448	**$ 15**
Financing Activities:		
Repayment of long-term debt	$ (1,415)	$ (1,319)
Debt retirement fund installments	(520)	(520)
Life interest agreement deposits net of refunds	143	215
Federal contributions allocated to capital assets	324	(169)
Provincial contributions designated for capital assets	1,004	1,796
Other contributions designated for capital assets	2	328
Transfer to General Revenue Fund (note 18)	(27,103)	---
	$ (27,565)	**$ 331**
Net increase (decrease) in cash position	$ 11,514	$ (31,261)
Cash and cash equivalents, beginning of year	$ 109,930	$ 141,191
Cash and cash equivalents, end of year	**$ 121,444**	**$ 109,930**

December 31, 2013

Note 1: Status of the Corporation

The Saskatchewan Housing Corporation operates under the authority of *The Saskatchewan Housing Corporation Act*. Pursuant to section 36 of the Act, the Corporation receives contributions from the Government of Saskatchewan - General Revenue Fund.

The Corporation's general objectives are to undertake, facilitate, and promote measures which will contribute to the availability of adequate and suitable housing for all Saskatchewan residents, and in particular the provision of housing for senior citizens, families, the disabled and other groups or persons who require assistance. The Corporation also undertakes, facilitates and promotes measures to repair, rehabilitate and make improvements to housing.

The Corporation has been designated as a provincial Treasury Board Crown Corporation. Accordingly, its consolidated financial position, operating results and cash flows are included in the summary financial statements of the Government of Saskatchewan. As a Crown entity, the Corporation is not subject to federal income tax or provincial income and capital taxes.

Note 2: Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting (PSA) standards, issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, including the PSA standards for government not-for-profit organizations. The following accounting policies are considered significant:

Basis of consolidation

The consolidated financial statements include the accounts of Saskatchewan Housing Corporation and local or regional housing authorities throughout the Province, controlled by the Corporation.

Housing authorities are corporate bodies with no share capital, established by ministerial order pursuant to subsection 18 (1) of *The Saskatchewan Housing Corporation Act*. They provide community-based property management services and deliver programs on behalf of the Corporation. Housing authorities are controlled by the Corporation by virtue of the fact that the Minister-in-charge of the Corporation has the legislative authority to appoint the members of each housing authority. Also, subsection 18 (9) of *The Saskatchewan Housing Corporation Act* provides that housing authorities must comply with policies established by the Corporation.

Transactions and account balances between the Corporation and housing authorities have been eliminated in these consolidated financial statements.

Revenue recognition

The Corporation follows the deferral method of accounting for contributions.

Provincial operating contributions provided through the Ministry of Social Services are unrestricted in nature, subject only to the broad provisions of section 36 of *The Saskatchewan Housing Corporation Act*. Accordingly, these contributions are recognized as revenue in the year they are received or receivable.

Provincial contributions that are restricted for a specified purpose (note 13) are deferred and are recognized as revenue when the related expenses are incurred. As directed by Treasury Board, interest income earned on investment of certain deferred provincial contributions is restricted for use on related program expenses; the restricted interest income is deferred and is recognized as revenue when the expenses are incurred. Provincial contributions used for investments in properties are recognized as revenue on the same basis as the amortization of the related assets.

Note 2: Significant Accounting Policies, continued

Federal contributions provided by Canada Mortgage and Housing Corporation (CMHC) are restricted in accordance with provisions of federal-provincial agreements (note 12). Accordingly, federal contributions are recognized as revenue when the related expenses are incurred. For housing programs within the scope of the Social Housing Agreement, federal contributions are recognized as revenue after the application of provincial operating contributions. Federal contributions used for investments in properties and related capital assets are allocated to Deferred federal contributions - capital assets, and are recognized as revenue on the same basis as the amortization of the related assets.

Revenue from property operations is recognized at the time the accommodation has been provided and there is reasonable assurance regarding collectability of the amount due from the resident household. If there is significant uncertainty as to ultimate collection, revenue is recognized when cash is received.

Sales of undeveloped land are recorded at the earlier of receipt of total sale proceeds or the date by which all material conditions required of the Corporation as specified in the sales agreement have been satisfied, and effective control of the property has passed to the purchaser.

Grants and subsidies

Grants are recognized as an expense when an application for assistance has been approved and performance requirements have been met. Forgivable loans provided to homeowners, developers, landlords, co-operatives and non-profit housing sponsors are accounted for as grants. Amounts repaid by clients who do not satisfy loan forgiveness conditions are recorded as other income in the consolidated statement of operations.

Subsidy assistance is provided to non-profit housing sponsors and co-operatives in accordance with operating agreements that set forth either a specified amount of assistance to be provided each year or the basis on which eligibility for assistance will be determined. For the latter type of operating agreements, subsidy assistance is recognized as an expense based on actual or estimated costs incurred by each housing sponsor in the year.

The Corporation has entered into agreements which provide for transfers of ownership of specified properties to non-profit housing sponsors, for no cash consideration. When such transfers of ownership occur, the fair value of the properties transferred is recorded as grants in kind.

Allocation of expenses

The fee for management services provided by the Ministry of Social Services (note 27) is allocated to operating expenses and to grant and subsidy programs based on the respective number of Ministry employees assigned to these functions. The Corporation applies this basis of allocation in a consistent manner each year.

Investment in properties

Investment in properties is carried at cost (which includes land, acquisition or construction, administrative and carrying costs), less accumulated amortization. The recorded cost of certain properties is net of amounts provided by CMHC and municipalities in consideration for an ownership interest in the properties.

The Corporation capitalizes costs that increase service potential by adding housing units to existing properties. Asset regeneration costs that result in replacement of housing units are also capitalized. Maintenance and renovation costs are expensed as incurred.

Amortization expense is recorded on a straightline basis over periods of up to forty years. On an ongoing basis, management reviews estimates of the useful life of properties, in the context of their respective service potential. These estimates are used to determine the periods over which the investment is amortized. Adjustments to amortization periods are accounted for on a prospective basis.

For properties whose service potential is impaired, due to a decline in the local demand for rental accommodation or other circumstances, the carrying amount is written down in proportion to the number of housing units for which vacancies are assessed by management as other than temporary in nature.

Note 2: Significant Accounting Policies, continued

Properties held for sale are recorded at the lower of the carrying amount and fair value net of selling costs. Amortization is not recorded while a property is classified as held for sale. A property is classified as held for sale at the time the property is available for immediate sale, management has committed to a plan to sell the property and is actively marketing the property for sale at a price that is reasonable in relation to the fair value of the asset, and a sale is probable and expected to be completed within a one-year period.

Land inventory

Land inventory is recorded at the lower of net realizable value and cost (which includes acquisition, development, administrative and carrying costs). Cost is measured based on specific identification of the costs attributable to particular land holdings.

Interest capitalization

Interest is capitalized on housing projects at rates established at individual project commitment dates, based on approximate market rates at the time.

System development

Software license acquisitions and related applications development costs are capitalized. System development costs are amortized on a straight line basis from the date the system is placed in use, over the estimated useful life of up to ten years.

Financial instruments – classification and measurement

The Corporation has classified its financial instruments into one of the following measurement categories: fair value; or cost or amortized cost. The classification of financial instruments is designated upon initial recognition.

Cash and cash equivalents are measured at cost. Debt retirement fund investments are measured at amortized cost. Interest income earned and realized gains or losses on debt retirement fund investments are included in interest income.

Accounts receivable and loans receivable are measured at cost. Loss provisions in respect of tenant accounts are netted against rents and other income. Loan impairment provisions are included in other charges in the consolidated statement of operations.

Accounts payable and accrued liabilities, the land profits holding account, life interest agreements and long-term debt are measured at cost.

Loans receivable

Loans receivable are recorded at cost, less an allowance for loan impairment. Cost includes amounts advanced, accrued interest and other charges, less repayments and subsidies.

Debt retirement funds

Debt retirement funds consists of monies deposited into funds administered by the Saskatchewan Ministry of Finance, invested to provide funds for repayment of advances from the General Revenue Fund. Interest income on investments is recognized as revenue in the period it is earned.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances with banks, and investments in money market instruments with a maturity of four months or less from the date of acquisition, net of outstanding cheques.

Note 2: Significant Accounting Policies, continued

Life interest agreements

The Corporation has received interest-free deposits from the residents of certain seniors' housing projects, in consideration for a life interest in a designated housing unit. Amounts received in respect of individual agreements are refundable to the residents or to their personal representative, and are recorded as a liability of the Corporation.

Indemnities

Losses on indemnities (note 25) are provided for on the basis of an assessment of mortgage accounts that are in arrears, taking into consideration the fair value of the associated property net of selling costs.

Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Significant items subject to estimates include the carrying amount and amortization of investment in properties and underlying assessments of service potential, and the carrying amount of loans receivable and underlying estimates of the allowance for loan impairment. Due to the inherent uncertainty involved, actual results could differ from management's estimates.

Note 3: Recently Issued Accounting Standards

The Public Sector Accounting Board has issued PSA Handbook Section PS 3260, Liability for Contaminated Sites, effective for financial statements relating to fiscal periods beginning on or after April 1, 2014. Section PS 3260 provides guidance on the recognition, measurement and disclosure of liabilities for remediation of contaminated sites. Management believes that adoption of the new standard will not have a material impact on the Corporation's consolidated financial statements.

Note 4: Investment in Properties

(thousands)

			2013	2012
	Cost	Accumulated Amortization	Carrying Amount	Carrying Amount
Wholly-owned housing projects	$ 272,507	$ 159,964	$ 112,543	$ 119,753
Housing investment	134,906	98,030	36,876	41,763
Construction in progress	1,572	---	1,572	1,599
Other properties	2,420	768	1,652	1,771
Held for sale	240	147	93	---
	$ 411,645	**$ 258,909**	**$ 152,736**	**$ 164,886**

The carrying amount of Investment in properties is dependent upon the continued receipt of contributions from CMHC and from the General Revenue Fund.

Housing investment represents the Corporation's ownership interest in housing projects constructed or acquired pursuant to partnership agreements. The Corporation's cost is net of amounts provided by CMHC and municipalities in consideration for an ownership interest in the housing projects.

Note 4: Investment in Properties, continued

The Corporation and CMHC have executed a Declaration of Trust by which the Corporation is trustee for CMHC's ownership interest in partnership and 100% CMHC-owned housing projects. CMHC's ownership interest will be earned by the Corporation over the remainder of each project's CMHC subsidy commitment period, in amounts which correspond to CMHC's annual amortization of the assets. Accordingly, no increase in investment in properties was recorded by the Corporation.

Note 5: Land Inventory

(thousands)

			2013	2012
	Cost	Accumulated Write-downs	Carrying Amount	Carrying Amount
Held for future development	$ 2,115	$ 1,847	$ 268	$ 276
Held for sale	---	---	---	207
	$ 2,115	$ 1,847	$ 268	$ 483

Note 6: System Development

(thousands)

System development is comprised of software licensing and applications development costs totalling $ 3,763 (2012 - $3,763), less accumulated amortization of $3,763 (2012 - $3,449). Amortization of $314 (2012 - $376) is included in other operating expenses in the consolidated statement of operations.

Note 7: Loans Receivable

(thousands)

			2013	2012
	Amortized Cost	Allowance for Loan Impairment	Carrying Amount	Carrying Amount
Second mortgages	$ 4,805	$ 815	$ 3,990	$ 4,392
Other mortgages	2,331	10	2,321	2,337
Other loans	9	9	---	---
	$ 7,145	$ 834	$ 6,311	$ 6,729

Second mortgages mature at various dates from 2018 to 2021 and are repayable in full at the maturity date. Interest income recorded by the Corporation is comprised of accrued interest due from clients at rates from 2.15% to 2.38% (2012 - 2.15% to 2.38%) plus a subsidy of 2.00%.

Other mortgages are repayable in monthly instalments of principal and interest and mature at various dates to the year 2029. These loans earned interest income at rates from 3.00% to 7.20% (2012 - 3.00% to 7.20%).

Note 8: Debt Retirement Funds

(thousands)

Under conditions attached to advances from the General Revenue Fund (note 10), the Corporation is required to pay annually into debt retirement funds held and invested by the Saskatchewan Ministry of Finance an amount at least equal to one per cent of the advances outstanding. Debt retirement funds are invested primarily in provincial government debt instruments, including Province of Saskatchewan debt instruments with a weighted average yield of 3.51% as at December 31, 2013 (2012 – 4.50%).

Debt retirement fund instalments totalling $520 are due in each of the five years from 2014 to 2018.

Note 9: Cash and Cash Equivalents

(thousands)

Cash and cash equivalents is comprised of investments in Canadian money market instruments of $120,975 (2012 - $106,529) and bank balances of $469 (2012 - $3,401). Cash equivalents earned interest at rates from 1.10% to 1.16% (2012 – 1.10% to 1.15%) per annum.

Note 10: Long-term Debt

(thousands)

		2013	2012
Advances repayable to General Revenue Fund:			
Year Repayable	**Weighted Average Interest Rate (%)**		
2019	6.27	$ 31,106	$ 31,106
2020	6.48	20,898	20,898
		$ 52,004	$ 52,004
Mortgages payable to CMHC, due at various dates from January 1, 2015 to March 1, 2019, repayable in monthly instalments of $126 including interest at rates from 1.46% to 1.92%, secured by properties with a carrying amount of $4,981 (2012 - $5,580):		5,064	6,479
		$ 57,068	**$ 58,483**

Principal repayments due in each of the next five years are as follows:

2014	$ 1,438
2015	1,299
2016	1,035
2017	705
2018	455
Thereafter	52,136

Note 11: Land Profits Holding Account

Profits earned on residential land development projects are distributed in accordance with the terms of development agreements with the participating municipalities. These agreements specify that profits are to be transferred to a holding account for use in development of capital projects in the municipality as approved by the Corporation, including Social Housing or Affordable Housing projects. Interest is credited to the municipal share of the holding account balance at the average rate earned by the Corporation on investments in money market instruments.

Note 12: Deferred Federal Contributions

(thousands)

	2013	2012
Expenses of future periods	$ 112,647	$ 106,941
Capital assets	27,491	29,504
	$ 140,138	**$ 136,445**

Expenses of Future Periods

	Social Housing Agreement	Agreement for Investment in Affordable Housing 2011-2014	Housing Renovation Program Agreement	2013 Total	2012 Total
Balance, beginning of year	$ 96,886	$ 9,466	$ 589	$ 106,941	$ 113,747
Contributions from CMHC	48,252	9,013	---	57,265	62,633
Refunds to CMHC	---	---	---	---	(357)
Interest credited	1,156	---	---	1,156	1,210
Contributions allocated to capital assets	---	(324)	---	(324)	169
Recognized as revenue	(41,666)	(10,136)	(589)	(52,391)	(70,461)
Balance, end of year	**$ 104,628**	**$ 8,019**	**$ ---**	**$ 112,647**	**$ 106,941**

The Social Housing Agreement took effect on January 1, 1997. Pursuant to the Agreement, CMHC will pay fixed annual contributions to the Corporation over the remainder of the CMHC subsidy commitment period for individual housing projects. A specified amount of the annual federal contributions must be applied toward housing programs which assist low income households, as defined in the Agreement. The portion of federal contributions that may be applied toward other housing programs within the scope of the Agreement is similarly specified. Interest is credited to Deferred federal contributions - expenses of future years in accordance with the Agreement. Unexpended federal contributions must be carried forward by the Corporation for use toward expenses of future periods. Such contributions must be fully used, in accordance with the Agreement, by the Funding Expiration Date of December 31, 2038.

The Agreement for Investment in Affordable Housing 2011-2014 provides for CMHC to make matching contributions to the Corporation of up to $27,570 for use toward provincial programs targeted to households in need, for commitments approved by March 31, 2014. Programs within the scope of the Agreement shall increase housing supply, improve housing affordability, improve and preserve the quality of the existing housing stock or extend the independent living capacity of seniors and persons with disabilities.

The Housing Renovation Program Agreement established a structure for cost-shared programs that provide assistance to homeowners and landlords, for repairs to and rehabilitation of properties occupied by low income households. CMHC contributed up to 75% of funding for eligible program costs, in respect of commitments approved by March 31, 2011.

Note 12: Deferred Federal Contributions, continued

Capital Assets

	Social Housing Agreement	Agreement for Investment in Affordable Housing 2011-2014	Other Agreements	2013 Total	2012 Total
Balance, beginning of year	$ 19,767	$ ---	$ 9,737	$ 29,504	$ 32,383
Contributions allocated	---	322	---	322	(169)
Recognized as revenue	(2,043)	---	(292)	(2,335)	(2,710)
Balance, end of year	**$ 17,724**	**$ 322**	**$ 9,445**	**$ 27,491**	**$ 29,504**

The Corporation may allocate federal contributions to investments in properties and related capital assets owned by the Corporation. Deferred federal contributions related to capital assets represent the unrecognized amount used for that purpose. These contributions are recognized as revenue on the same basis as the amortization of the related assets.

Note 13: Deferred Provincial Contributions

(thousands)

	2013	2012
Housing Trusts	$ 8,554	$ 8,214
Neighbourhood Revitalization and Other	62,083	67,456
	$ 70,637	**$ 75,670**

Housing Trusts

	Affordable Housing Trust	Off-Reserve Aboriginal Housing Trust	Capital Assets	2013 Total	2012 Total
Balance, beginning of year	$ 726	$ 4,033	$ 3,455	$ 8,214	$ 16,239
Contributions allocated	1,017	(1,648)	631	---	---
Recognized as revenue	808	(345)	(123)	340	(8,025)
Balance, end of year	**$ 2,551**	**$ 2,040**	**$ 3,963**	**$ 8,554**	**$ 8,214**

Monies allocated to the Government of Saskatchewan from federal housing trusts are to be used for initiatives that are consistent with the intent of certain conditions established by the federal government, as set forth in the Operating Principles for each trust. Affordable Housing Trust monies are to be used for capital investments, and are not to be used to support property operations or to provide ongoing subsidy assistance to housing sponsors. Off-Reserve Aboriginal Housing Trust monies are to be used for initiatives that directly support housing for Métis and First Nations persons living off-reserve. The contributions are recognized as revenue when related expenses are incurred.

Note 13: Deferred Provincial Contributions, continued

Neighbourhood Revitalization and Other

			2013	2012
	Expenses of Future Periods	Capital Assets	Total	Total
Balance, beginning of year	$ 41,480	$ 25,976	$ 67,456	$ 73,412
Contributions received or receivable	8,150	---	8,150	5,244
Refund to General Revenue Fund	(227)	---	(227)	---
Contributions allocated	(373)	373	---	---
Interest credited	124	---	124	165
Recognized as revenue	(12,581)	(839)	(13,420)	(11,365)
Balance, end of year	**$ 36,573**	**$ 25,510**	**$ 62,083**	**$ 67,456**

Provincial contributions totalling $8,150 (2012 - $5,244) have been received or are receivable from the Ministry of Social Services, for the following specified purposes:

Affordable Housing initiatives, including the Rental Construction Incentive and the Affordable Home Ownership Program	$ 5,210
Construction, acquisition or renovation of residential facilities for persons with intellectual disabilities	2,260
Fire suppression upgrades in facilities owned by community based organizations	500
Establishment of a residential facility for a specified community based organization	180
	$ 8,150

These contributions, and similarly restricted contributions received from the Ministry of Social Services in prior years, are recognized as revenue when related expenses are incurred. Contributions designated for capital assets are recognized as revenue on the same basis as the amortization of the related assets.

Note 14: Other Deferred Contributions Related to Capital Assets

(thousands)

	2013	2012
Balance, beginning of year	$ 3,062	$ 3,085
Contributions received	2	328
Recognized as revenue	(308)	(351)
Balance, end of year	**$ 2,756**	**$ 3,062**

This balance relates to certain properties transferred to the Corporation, as well as contributions provided by Saskatchewan government ministries and municipalities for the construction or acquisition of housing by the Corporation. These contributions are recognized as revenue on the same basis as the amortization of the related properties.

Note 15: Internally Restricted Net Assets

(thousands)

Portfolio Renewal Reserve

The Corporation's portfolio renewal initiative provides for acquisition of multi-family properties in selected cities, to be financed using the proceeds from disposal of single-family homes in those communities. During the year, the Corporation established a Portfolio Renewal Reserve, which will be used to offset amortization charges in respect of the properties acquired. For the year ended December 31, 2013, gains of $4,356 on disposal of properties have been internally restricted for this purpose.

Risk Reserve

The Corporation has established a Risk Reserve, to mitigate operating risks associated with the Corporation's financial responsibility for housing programs transferred from CMHC pursuant to the Social Housing Agreement. The Corporation's board of directors has approved annual transfers from the Risk Reserve to Unrestricted Net Assets, to be determined based on the reduction in the aggregate balance of CMHC mortgages outstanding (note 25). For the year ended December 31, 2013, $489 (2012 - $851) was transferred from the Risk Reserve to Unrestricted Net Assets.

Renovation Commitments

The Corporation and housing authorities controlled by the Corporation enter into contracts for renovation of properties. An internal restriction of net assets has been made to reflect outstanding commitments under renovation contracts as of December 31, 2013. As expenses are incurred they are charged to operations, with a corresponding reduction to the appropriated amount.

Note 16: Financial Instruments and Risk Management

(thousands)

The Corporation, through its financial assets and liabilities, is exposed to various risks. The following analysis explains the nature and extent of the Corporation's exposures to credit risk, interest rate risk, other price risk and liquidity risk, and how the Corporation manages those risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation is exposed to credit risk through its investments in Canadian money market instruments (which are accounted for as cash equivalents) and its debt retirement fund investments, and through its accounts receivable and loans receivable. The maximum exposure to credit risk, as represented by the carrying amounts of the Corporation's financial assets, is as follows:

	2013	2012
Cash and cash equivalents	$121,444	$109,930
Debt retirement funds	28,168	26,286
Accounts receivable	9,074	12,875
Loans receivable	6,311	6,729

Investments in money market instruments are purchased through the Saskatchewan Ministry of Finance. The Corporation's policy is to invest only in instruments which secure the preservation of capital and sufficient liquidity to meet short-term financial obligations as they come due. Credit risk is minimized by transacting with institutions that have strong credit ratings.

Note 16: Financial Instruments and Risk Management, continued

Debt retirement funds are on deposit with the General Revenue Fund, and are invested as the Saskatchewan Ministry of Finance may determine. As at December 31, 2013, the funds are invested primarily in provincial government debt instruments with varying maturities. Credit risk associated with these investments is considered to be low.

Accounts receivable consist primarily of amounts due from the Ministry of Social Services, CMHC and municipalities, federal Goods and Services Tax rebates, accrued interest income and amounts due from non-profit housing sponsors, which in aggregate represent 85% (2012 - 98%) of balances outstanding. The carrying amount of these and other accounts receivable, excluding tenant accounts, is $8,712 as at December 31, 2013 (2012 - $12,603). Credit risk on these accounts is considered to be low, and management does not consider the amounts outstanding to be past due.

Tenant accounts are managed by housing authorities. Credit risk arises from the possibility that tenants might be unable to fulfill their lease commitments. Housing authorities mitigate this risk by conducting rental reference checks prior to tenant placement, through well defined procedures for addressing rent arrears, and by limiting the exposure to credit loss for any one tenant.

The carrying amount of tenant accounts receivable is $362 as at December 31, 2013 (2012 - $272). This amount is comprised of rent arrears in respect of current tenants totalling $225 (2012 - $166) and former tenants totalling $925 (2012 - $777), less an allowance for doubtful accounts of $788 (2012 - $671).

The allowance for doubtful accounts is determined based on a review of account balances in respect of former tenants. Rent arrears in respect of current tenants are not considered to be impaired, as there is an ongoing client relationship. Account balances in respect of former tenants are written off once it is determined that all reasonable collection efforts have been exhausted, and the Corporation's management has approved a write-off. Changes in the allowance for doubtful accounts are as follows:

	2013	2012
Balance, beginning of year	$ 671	$ 601
Accounts written off	(561)	(523)
Recoveries	60	51
Provision for bad debts	618	542
Balance, end of year	**$ 788**	**$ 671**

Credit risk also arises from the possibility that borrowers might default on their contractual loan obligations. Credit exposure on loans receivable is managed through appropriate account administration.

For second mortgages, the allowance for loan impairment consists of specific provisions for accounts that management considered to be impaired, and a general provision for other potential future credit losses. For other mortgages and loans, the allowance for impairment is determined on the basis of a review of individual clients' payment records. Generally, management considers an account to be impaired if there is no longer reasonable assurance of timely collection of the full amount of principal and interest. Management also takes into consideration the estimated realizable value of mortgage security where applicable. Changes in the allowance for loan impairment are as follows:

	2013	2012
Balance, beginning of year	$ 861	$ 843
Accounts written off	(6)	(42)
(Reduction in) provision for impairment	(21)	60
Balance, end of year	**$ 834**	**$ 861**

Credit risk associated with the obligation to indemnify CMHC against losses on certain loans is described at Note 25, Contingencies.

Note 16: Financial Instruments and Risk Management, continued

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation is exposed to interest rate risk on the maturity of its loans receivable, debt retirement fund investments and cash equivalents, and on the maturity of its long-term debt.

The Corporation manages interest rate risk on long-term debt by obtaining long-term advances from the General Revenue Fund at fixed interest rates, and by renewing mortgage financing with CMHC at fixed interest rates for the maximum available term. Because long-term debt is comprised entirely of instruments with fixed interest rates, the Corporation has not provided a sensitivity analysis to show the effect of interest rate changes on operating results.

As at December 31, 2013, the Corporation had no financial contracts in place to offset interest rate risk.

Management believes that reasonably possible changes in interest rates over the next year would not result in a material change in the fair value of debt retirement fund investments; therefore the Corporation has not provided a sensitivity analysis to show the effect of such interest rate changes on operating results.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the particular financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. The Corporation is exposed to other price risk through its debt retirement fund investments.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting financial obligations as they fall due. To manage liquidity risk, the Corporation maintains adequate cash balances and invests in money market instruments with a maturity of four months or less from the date of acquisition. The instruments are readily convertible to known amounts of cash. Also, the Corporation has established a line of credit facility with the General Revenue Fund, which allows the Corporation to access up to $45,000 on a revolving basis. The Corporation did not draw on this line of credit facility in 2013 or in 2012.

A maturity analysis of the Corporation's financial liabilities as at December 31, 2013 is as follows. The contractual cash flows reported are undiscounted and include interest payments and finance charges.

		Contractual Cash Flows				
	Carrying Amount	Total	2014	2015	2016 to 2018	2019 and thereafter
Advances repayable to General Revenue Fund	$ 52,004	$ 72,134	$ 3,824	$ 3,824	$ 11,472	$ 53,014
Mortgages payable to CMHC	5,064	5,169	1,512	1,350	2,283	24
Long-term debt	57,068	77,303	5,336	5,174	13,755	53,038
Life interest agreements	12,501	12,501	12,501	---	---	---
Land profits holding account	1,366	1,366	1,366	---	---	---
Accounts payable and accrued liabilities	20,065	20,218	19,143	112	859	104
	$91,000	**$111,388**	**$38,346**	**$5,286**	**$14,614**	**$53,142**

Note 17: Interest Income

(thousands)

	2013	2012
Interest income earned on debt retirement funds	$ 1,362	$ 1,532
Interest income earned on other investments	1,455	1,444
Interest income earned on loans receivable	632	834
Less amounts deferred	(124)	(165)
	$ 3,325	**$ 3,645**

Note 18: Gain on Disposal of Undeveloped Land

(thousands)

In 2013, the Corporation disposed of an interest in undeveloped land for net proceeds of $38,466. A gain on disposal of $38,259 was recognized. As directed by Treasury Board, $27,103 was transferred to the General Revenue Fund.

Note 19: Gain on Disposal of Properties

(thousands)

In 2013, the Corporation disposed of certain properties, comprised mostly of single-family homes. Proceeds, net of CMHC's share and the municipal share where applicable, were $5,158 (2012 - $1,345). A gain on disposal of $5,249 (2012 - $1,315) was recognized.

Note 20: Operating Expenses

(thousands)

	2013	2012
Maintenance and renovation	$ 49,621	$ 60,869
Utilities	18,717	17,900
Grants in lieu of property taxes	14,262	13,612
Other operating	42,688	38,491
	$125,288	**$130,872**

Other operating expense includes charges totalling $3,921 (2012 - $4,207) in respect of management services provided to the Corporation by the Ministry of Social Services.

Note 21: Grants and Subsidies

(thousands)

	2013	2012
Affordable Housing Programs	$ 25,894	$ 28,154
Housing Trusts	(378)	7,902
Housing Renovation Program Agreement	1,444	2,461
Rental Construction Incentive	2,370	1,391
Affordable Home Ownership Program	701	175
Housing Summit Action Fund	1,333	1,305
Subsidy assistance - Non-profit housing	12,843	13,071
Subsidy assistance - Co-operative housing	1,844	2,237
Other grants and subsidies	3,926	4,429
	$ 49,977	**$ 61,125**

Subsidy assistance is provided to non-profit housing sponsors and co-operatives in accordance with operating agreements that set forth either a specified amount of assistance to be provided each year or the basis on which eligibility for assistance will be determined. These agreements expire at various dates to the year 2029 (note 26(d)). Subsidy assistance – Non-profit housing also includes grants in kind of $423 (2012 - $nil).

Subsidy assistance - Non-profit housing includes assistance of $2,024 (2012 - $2,124) provided to Regional Health Authorities, in respect of certain nursing home facilities.

Grants expense in respect of Housing Trusts is net of amounts recovered from project sponsors.

Grants and subsidies expense includes charges totalling $836 (2012 - $1,839) in respect of management services provided to the Corporation by the Ministry of Social Services.

Note 22: Interest Expense

(thousands)

	2013	2012
Interest incurred	$ 4,716	$ 4,938
Less: Interest capitalized	---	(5)
	$ 4,716	**$ 4,933**

Interest incurred is comprised of $3,562 (2012 - $3,698) paid during the year, $1,156 (2012 - $1,210) credited to Deferred federal contributions and $nil (2012 - $59) credited to the land profits holding account, less a reduction in accruals of $2 (2012 - $29).

Interest incurred includes $3,304 (2012 - $3,304) on advances repayable to the General Revenue Fund. Accrued interest payable to the General Revenue Fund at December 31, 2013 totalled $774 (2012 - $774).

Note 23: Expenses by Object

(*thousands*)

	2013	2012
Salaries and benefits	$ 23,825	$ 20,856
Purchased goods and services	101,149	109,640
Grants and subsidies	49,977	61,125
Amortization	13,463	14,248
Interest expense	4,716	4,933
Other	(48)	13
	$193,082	**$210,815**

Note 24: Pension Plan

(*thousands*)

Housing authorities and eligible employees participate in the Capital Pension Plan, a multi-employer defined contribution pension plan sponsored by the Crown Investments Corporation of Saskatchewan. The housing authorities' financial obligation is limited to providing contributions to the Plan at a specified rate in respect of employees' current service. For the year ended December 31, 2013, employer contributions of $1,402 (2012 - $1,131) are included in other operating expense (Note 20).

Note 25: Contingencies

(*thousands*)

Pursuant to the Social Housing Agreement, the Corporation is responsible for the administration of a portfolio of mortgage loans provided by CMHC to third party housing sponsors. The Agreement states that the Corporation shall indemnify CMHC against all losses and expenses arising from defaults by borrowers. As at December 31, 2013, mortgages with an aggregate balance of $114,500 (2012 - $126,180) were outstanding. The mortgages are being amortized through monthly payments and mature at various dates to the year 2030.

The portfolio includes 91 (2012 - 104) mortgages, totalling $48,462 (2012 - $53,353), provided to non-profit and co-operative housing sponsors who receive ongoing subsidy assistance from the Corporation that is presently sufficient to enable mortgage payments to be made when due. The portfolio also includes 183 (2012 - 185) mortgages, totalling $66,038 (2012 - $72,827), provided to sponsors of nursing home or group home facilities who receive funding for operations from the Ministry of Health or the Ministry of Social Services, respectively.

The Corporation has established a Risk Reserve (note 15) to fund losses incurred on the portfolio of CMHC mortgages. As at December 31, 2013, none of the mortgages administered on behalf of CMHC were in default, and accordingly no liability is recorded in respect of the Corporation's obligation to indemnify CMHC.

Note 26: Contractual Obligations

(*thousands*)

The Corporation has the following contractual obligations as at December 31, 2013:

(a) Property acquisition costs of $28,130

(b) Renovation costs of $1,348

(c) Rental obligations in respect of operating leases for office space and maintenance facilities for the next five years as follows:

2014	$ 699
2015	648
2016	428
2017	263
2018	43

(d) Grants and subsidies:

The Corporation has approved commitments under various programs for grants or ongoing subsidy assistance to homeowners, private developers and landlords, co-operatives, non-profit housing sponsors and Regional Health Authorities.

As at December 31, 2013, commitments for grants for which performance requirements have not been met totalled $48,419.

The estimated cost of ongoing subsidy assistance for the next five years is as follows:

2014	$ 14,800
2015	14,400
2016	14,300
2017	14,200
2018	14,000

Ongoing subsidy assistance obligations include amounts to be provided to Regional Health Authorities as follows:

2014	$ 1,793
2015	1,785
2016	1,778
2017	1,730
2018	1,717

Uncertainty regarding future interest rates and other economic factors precludes reasonable estimation of the Corporation's obligations for ongoing assistance beyond a five-year period.

Note 27: Related Party Transactions

(*thousands*)

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, and agencies related to the Corporation by virtue of common control by the Government of Saskatchewan, collectively referred to as "related parties".

Transactions with related parties in the normal course of operations are settled at the prevailing prices charged by these organizations, under normal trade terms. These transactions are not significant to the Corporation's consolidated operations or financial position except as described below.

	2013	2012
Expenses:		
Services provided by Saskatchewan Power Corporation ("SaskPower")	$ 6,742	$ 6,149
Services provided by SaskEnergy Incorporated ("SaskEnergy")	5,013	5,308
Services provided by Ministry of Social Services	4,757	6,046
Services provided by Ministry of Central Services - Information Technology Office	1,490	1,366
Investment in properties, for the year ended December 31:		
Services provided by SaskPower	$ 12	$ 12
Accounts payable and accrued liabilities, as at December 31:		
SaskPower	$ 439	$ 317
SaskEnergy	848	474
Ministry of Central Services - Information Technology Office	52	17

The Ministry of Social Services provides management services to the Corporation. Charges are recorded for administration of housing operations and other programs within the scope of the Social Housing Agreement, for delivery of programs within the scope of other agreements between the Corporation and CMHC, and for delivery of programs funded from provincial contributions. Amounts charged to the Corporation do not exceed related costs incurred.

Accounts receivable as at December 31, 2013 includes $960 (2012 - $4,465) due from the Ministry of Social Services, in respect of operating and other contributions.

Accounts payable and accrued liabilities as at December 31, 2013 includes $710 (2012 - $607) received from Saskatchewan government ministries and agencies, restricted for use on renovations to certain Staff Housing units.

Other transactions with and amounts due to related parties are described separately in these consolidated financial statements and the notes thereto.

Note 28: Comparative Information

Certain 2012 financial information has been reclassified to conform with the current year's presentation.

Corporate Governance

Board Responsibilities

The Board is responsible for establishing a strategic direction for the Corporation within the context of Government priorities and directions and monitoring results towards those ends.

The Board does not become involved in day-to-day management, but entrusts operational decisions to senior management. Senior management is held accountable for the Corporation's performance.

Board Composition and Compensation

As of December 31, 2013, the Board consisted of seven members with diverse experience and expertise, representing a broad spectrum of housing industry stakeholders.

As a Treasury Board Crown Corporation, remuneration for the Board is established by Treasury Board Policy. Board members receive per diems for meetings attended. Travel and sustenance reimbursement for Board business is at prevailing Saskatchewan rates.

Committees

The Board has established the following committees to address specific areas of Board responsibility. These committees are essential mechanisms in ensuring that the business of the Corporation is conducted in a timely and appropriate manner.

Audit and Finance Committee

The Audit and Finance Committee assists the Board in ensuring the Corporation meets legal, reporting, and accountability requirements set out in relevant legislation; financial integrity and transparency; adequate and effective management of information systems and sufficient risk management. The committee also assists the Board with other matters related to the Corporation's accounting policies, reporting practices, and internal controls.

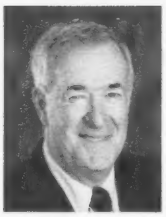
Governance Committee

The Governance Committee provides leadership to the Board in relation to all governance processes, policies, and principles of the Corporation, along with undertaking other duties upon request to assist the Board in delivering governance practices.

Standing Left to Right:
Colleen Mah, Bob Linner, Pat Pitka
Seated Left to Right:
Patti Durand, Keith Hanson, Allan Morin
Missing: Ken Acton

Board of Directors

Keith Hanson (Chair) – Mr. Hanson, a Professional Engineer, has been involved in the housing industry for over 30 years, and has always had a passion for the development and provision of appropriate, efficient and financially sustainable housing. He is currently President and CEO of Sun Ridge Residential Inc., a Saskatchewan-based company specializing in housing systems, energy and environmental efficiency, housing affordability and quality assurance.



Bob Linner (Vice-Chair) – Mr. Linner served in a leadership capacity in municipal government in Regina and Prince Albert for 39 years as a city planner and administrator, retiring in 2006 after 19 years as Regina City Manager. He is one of only seven Honorary Life Members of the Canadian Association of Municipal Administrators, recipient of the Lieutenant Governor's Gold Medal for Excellence in Public Administration, the Saskatchewan Centennial Medal and most recently the Queen Elizabeth II Diamond Jubilee Medal. He currently serves on seven other Boards including Regina Habitat for Humanity.

Patti Durand (Director) – Ms. Durand has been active in the Humboldt area business community for over 15 years. Her farm roots and university training in agriculture provided the foundation as she became engaged in entrepreneurial pursuits. Patti's primary focus is Prairie View Properties — a country residential acreage development, located just outside her home city. Patti's passion about her community is demonstrated as she volunteers in numerous capacities, being named Humboldt's Citizen of the Year in 2010.

Colleen Mah (Director) – Ms. Mah was born and raised in Saskatoon where she attended the University of Saskatchewan, graduating with a Bachelor of Commerce degree in 1976. Upon graduation, she went to work for the Federal Government (known in those days as Revenue Canada-Taxation). In late 1998, she joined the family business, North Ridge Development Corp. She is a licensed Broker-realtor and has been involved in the Saskatoon and Region Home Builders Association as well as the Saskatoon and Region Association of Realtors.

Allan Morin (Director) – Mr. Morin's past experience includes many years as a key member with the Métis Rights Panel and as Minister of Environment for the Métis National Council. Allan's appointments include Minister of Housing, Health and Intergovernmental Affairs for the Métis Nation – Saskatchewan, as well as to the "Centre for the North" as a representative of the Métis National Council. He has also provided his expertise to governments and private sector businesses.

Pat Pitka (Director) – Mr. Pitka is a Chartered Accountant by profession, having been a Partner with KPMG in Regina and Saskatoon, and has been recognized by the Institute of Chartered Accountants of Saskatchewan with the distinction of Fellow in 1988. Pat has been involved in the nursing home industry for over 30 years. Currently he is involved in the construction of a 176 suite Assisted and Independent living complex in Saskatoon. He also serves as CFO with a number of organizations.

Ken Acton (Director) – Mr. Acton became a Director on the Board upon his appointment as Deputy Minister of Social Services on January 1, 2012. Ken was born and raised on a farm near Moose Jaw, Saskatchewan and operated the family farm from 1974 until the late 1990s. Ken joined the Saskatchewan Public Service in 1988 and held numerous senior leadership roles with the Ministry of Justice and Attorney General. Ken served as Chair of the Public and Private Rights Board of Saskatchewan from 1990 to 2011 and continues to sit on the Legal Aid Commission Board.

For More Information

For additional copies of this Annual Report, please call 1-800-667-7567 or visit SHC's home page at: http://www.socialservices.gov.sk.ca/housing and click on the "SHC Annual Reports" link. Information on housing programs and services is also available at this website.

Copies of SHC's Annual Reports dating back to 2006 are also available online.

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